

Message Text

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STADIS//////////

NEA/IRN NAAS FROM BREWIN

E.O. 11652: N/A
TAGS: EIND IR
SUBJ: PULLMAN SWINDELL (P-S) BID ON NISIC ISFAHAN STEEL PROJECT

1. AS YOU KNOW, PULLMAN SWINDELL HAS RECEIVED A PRELIMINARY COMMITMENT FROM EXIM DATED FEB 6 TO COVER THE FINANCING OF PSS'S BID FOR THE CONSTRUCTION OF A DIRECT REDUCTION STEEL PLANT FOR NATIONAL IRANIAN STEEL INDUSTRIES COMPANY. PRINCIPAL COMPETITION IS FROM KORFF OF GERMANY. NISIC DECISION IS EXPECTED VERY SOON. NISIC HAS INFORMED P-S THAT IT WILL REQUIRE ALL BIDS TO BE QUOTED IN DOLLARS. AS A CONSEQUENCE OF THIS DECISION, ACCORDING TO P-S, KORFF HAS HAD TO RAISE ITS QUOTATION BY ABOUT 25 PERCENT TO COVER EXCHANGE RATE DIFFERENTIAL VIS-A-VIS THE DOLLAR, THUS ENHANCING COMPETITIVENESS OF P-S BID.

2. AMONG THE TERMS AND CONDITIONS OF EXIM'S PRELIMINARY COMMITMENT IS THE REQUIREMENT THAT ALL WEMS FINANCED THROUGH THE CREDIT

MUST BE TRANSPORTED FROM THE US IN VESSELS OF US REGISTRY PER PUBLIC RESOLUTION NO 17 OF 73RD CONGRESS UNLESS A WAIVER IS OBTAINED FROM MARITIME ADMIN. WHEN THIS CONDITION WAS EXPLAINED TO NISIC, LATTER BALKED AT THIS REQUIREMENT ON GROUNDS THAT THE JOB IS ON A FOB
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BASIS. THAT IS, NISIC TAKES TITLE TO THE MACHINERY AT US PORT AND OUGHT TO BE FREE TO SHOP COMPETITIVELY AMONG ALL SHIPPING COMPANIES. P-S BELIEVES THAT NISIC COULD AT THIS TIME PROBABLY GET UNDER THE 37 MILLION DOLLAR US FRIEGHT COST (CARRIED IN US BOTTOMS) BY ABOUT 30 PERCENT IF THEY SELECTED A NON-US CARRIER.

3. P-S FEELS THAT EXIM REQUIREMENT RE US BOTTOMS WOULD VIRTUALLY WIPE OUT ANY ADVANTAGE US COMPANY NOW HAS AS RESULT OF QUOTING IN DOLLARS. O-S SAYS THAT MARITIME ADMIN RECENTLY GAVE P-S WAIVER ON EXIM LOAN FOR STEEL PLANT IN POLAND BUT ON RATIONALE THAT US SHIPPING LINES FULLY BOOKED AT THAT TIME.

4. WOULD MUCH APPRECIATE YOUR MAKING APPROPRIATE INQUIRIES IN WASHINGTON AS TO HOW P-S MIGHT NOW PROCEED, AND PARTICULARLY YOUR ASSESSMENT RE P-S'S CHANCES FOR MARITIME ADMINISTRATION WAIVER. P-S VICE PRESIDENT BOB LAWRENCE, OF PITTSBURGH, PA WILL CALL YOU EARLY NEXT WEEK TO GET YOUR ADVICE AND COUNSEL.
SULLIVAN

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